



# MOSSEL BAY MUNICIPAL DRAFT INCENTIVE POLICY 2019



Harding, Gwynnefer

MOSSEL BAY MUNICIPALITY

[www.mosselbay.gov.za](http://www.mosselbay.gov.za)

# PREAMBLE

Municipalities have a mandate to provide communities with the best possible quality, affordable services and create suitable conditions for local business to thrive, create jobs and ensure that the municipality remains financially sustainable. Provision of quality services is high on the priority lists of residents and business owners and is also a critical requirement for attractiveness. People and corporations want to invest in a vibrant, clean, well-maintained, safe environment with a highly capable and ethical administration.

Residents rely on local government to be guided by well-defined policies and procedures, that lead to prosperity for everyone who is a resident, a visitor or has business interests in the area. A municipality finds a balance between these competing but complementary responsibilities by developing and implementing dedicated instruments.

One of those instruments is an Investment Incentive Policy, that is grounded on the need for Mossel Bay Local Municipality to ensure that the municipality achieves the outcome of attracting the necessary investment to implement economic and developmental infrastructure projects, that will ensure that the LED mandate of Mossel Bay Municipality is achieved.

This incentive policy represents Mossel Bay Municipality's intent with respect to the offering and management of incentives as an additional tool for attracting and securing sustainable investments into the municipality. The Mossel Bay Municipality established itself as a driver of economic growth in the Southern Cape. The aim is to create a business-friendly environment that will encourage the establishment of businesses in this pristine area of the Southern Cape. Investment incentives are inducements offered to net worth investors to encourage them to invest or reinvest in the geographical areas of Mossel Bay Municipality.

## Table of Contents

.....	0
PREAMBLE .....	1
1 INTRODUCTION .....	3
1.1 Purpose of the policy.....	3
1.2 Legislative context.....	3
2. POLICY DIRECTIVES.....	4
2.1 Eligibility .....	4
3. PROPOSED INVESTMENT INCENTIVES.....	5
3.1 Financial National and Provincial Incentives.....	5
3.2 Financial Municipal Incentives .....	5
3.3 Technical or business support incentives.....	6
4. OTHER TYPES OF INCENTIVES OFFERED .....	6
4.1 Financing of Feasibility Study / Business Plan Development (SMME's).....	6
4.2 Rebate on Municipal Building Plans .....	6
4.3 Lands & Buildings (Asset Management Policy) .....	7
4.4 SMME and Secondary Economy Investment Incentives.....	7
4.5 Discretionary Incentives .....	7
4.5 Other Investment Incentives.....	8
5. DEVELOPMENT AREAS.....	8
5.1 Central Business District.....	8
5.2 Mossdustria and N2 Industria .....	9
5.3 Desirable Developments .....	9
6. ROLE OF MUNICIPAL DIRECTORATES .....	10
6.1 Implementation of approvals.....	11
7. MONITORING AND EVALUATION .....	11
8. POLICY MANAGEMENT.....	11
Annexure A: Standard Operating Procedure .....	12
Roles and responsibilities.....	12
Finance .....	12
Economic Development & Planning Services.....	12



## **1 INTRODUCTION**

This policy intrinsically recognises that the investment situation is subject to continuous change. Mossel Bay Municipality's task in respect of the managing of incentives is to creatively match the needs of investors with a range of incentives that could be provided. This policy focuses on supporting investments based on their potential future contribution to economic growth within the municipal area. It should not be utilised as a loophole or precedent for cash poor developers to circumvent standard municipal charges such as Capital Contributions and service charges. This incentive evaluation model plays a key role in decision support and investment monitoring to ensure that this policy is fair and consistent.

### **1.1 Purpose of the policy**

This Incentive Policy is aligning the municipal strategic agenda with the Municipal Integrated Development Plan and sector plans like the Spatial Development Framework, Land Use Management Scheme, the Local Economic Development & Tourism Strategy and all the other infrastructure and environmental management plans. The purpose, intent and objective of this policy is to:

- Attract additional sustainable industrial or service-related investments into the municipality thus generating employment opportunities, and providing backward and forward linkages among industries within the region;
- Provide the necessary principles, processes, approval procedure, roles and responsibilities to enable a professional, consistent and transparent incentive management dispensation;
- Specify the qualification criteria that investors would have to comply with to be considered for incentives; and
- Facilitate the transformation of specific geographical areas within the municipal area into highly developed Industrial Park, Information Technology, Petrochemical, Ocean Economy, Agri-Industrial, Industrial, Commercial, Tourism, Investment and Financial Centre's of the region.

It is acknowledged that there are numerous Provincial and National incentives available to business. The municipality will, in addition to offering its own service-related incentives, actively encourage participation and uptake of other incentives by investors.

### **1.2 Legislative context**

Chapter 7 of The Constitution of the Republic of South Africa, mandates municipalities, per section 152 (l)(b) and (c) to ensure the provision of services to their communities in a sustainable manner; and; to promote social and economic development, respectively. This policy identifies relevant and effective internal instruments that the Municipality can utilise to achieve sustainable service delivery, social development, economic diversification and growth.

## 2. POLICY DIRECTIVES

This section deals with the proposed incentive policy in line with the Municipality's vision and strategic objective.

The Incentive Policy is directed at new medium to large investments, as defined by the National Small Business Amendment Act (2003), i.e. new investments that will create 50 or more permanent jobs and have minimum asset values of between R2 million and R5 million, depending on which sector the business operates.

### 2.1 Eligibility

The following provides guidelines in terms of eligible projects which the Municipality will consider for incentives applications.

Potential Investors must qualify for at least 1 of the following classifications. If you qualify for both, you will be rebated according to the highest classification.

Table 2.1 Classification Per Investment

Classification According to Investment	Minimum	Class 2	Class 3	Class 4	Class 5
Industry	Ratable Investment	Ratable Investment	Ratable Investment	Ratable Investment	Ratable Investment
Industrialisation and manufacturing	R5m	R10m	R25m	R50m	R100m
Petrochemical manufacturing, storage and logistics	R5m	R10m	R25m	R50m	R100m
Ocean economy including tourism and fishing	R1m	R2m	R5m	R10m	R20m
Adventure and experience tourism	R1m	R2m	R5m	R10m	R20m
Convention Centre and hotels	R10m	R20m	R50m	R100m	R250m
Motor Sport Industry	R1m	R2m	R5m	R10m	R20m
Medical industry	R5m	R10m	R25m	R50m	R100m
Waste reduction, recycling and re-use	R1m	R2m	R5m	R10m	R20m
Renewable energy industries	R5m	R10m	R25m	R50m	R100m
Airport development	R10m	R20m	R50m	R100m	R250m
CBD Regeneration & Precinct Projects	R5m	R10m	R25m	R50m	R100m
SMME's addressing the economic gap	R1m	R2m	R5m	R10m	R20m

Table 2.2 Classification Per Employment

Classification per number of permanent, direct employment					
Number of permanent, direct employment opportunities added					
Industry	Minimum	Class 2	Class 3	Class 4	Class 5
Industrialisation and manufacturing	100	175	250	325	400
Petrochemical manufacturing, storage and logistics	40	70	100	150	200
Ocean economy including tourism and fishing	50	75	100	125	150
Adventure and experience tourism	25	30	35	40	50
Convention Centre and hotels	40	70	100	150	200
Motor Sport Industry	20	25	30	40	50
Medical industry	50	75	100	125	150

Waste reduction, recycling and re-use	40	55	70	85	100
Renewable energy industries	40	55	70	85	100
Airport development	20	25	30	40	50
CBD Regeneration Projects	20	25	30	40	50
SMME's addressing the economic gap	20	25	30	40	50

### 3. PROPOSED INVESTMENT INCENTIVES

#### 3.1 Financial National and Provincial Incentives

In South Africa, the Department of Trade and Industry (the DTI) offers a set of incentives through the fiscus to encourage development and investment in various sectors such as manufacturing, agriculture, tourism and film.

Mossel Bay Municipality plans to avail a reference document in this regard for prospective investors.

#### 3.2 Financial Municipal Incentives

The Financial Investment Incentives proposed through this policy are described below.

The policy makes provision for capital contributions, connection fees, basic charges and rebates on consumption on electricity, water, sewerage and refuse removal.

Table 3.1 Rebates for Year 1

Rebates Year 1	Minimum	Class 2	Class 3	Class 4	Class 5
Capital Contribution	5%	10%	15%	20%	25%
Electricity Connection Fee	5%	10%	15%	20%	25%
Water Connection Fee	5%	10%	15%	20%	25%
Sewerage Connection Fee	5%	10%	15%	20%	25%
Electricity Consumption	2.5%	3%	3.5%	5.5%	6%
Electricity Basic Charge / Demand Charge	2.5%	3%	3.5%	5.5%	6%
Water Consumption	2.5%	3%	3.5%	5.5%	6%
Water Basic Charge	2.5%	3%	3.5%	5.5%	6%
Sewer and affluent Charges	2.5%	3%	3.5%	5.5%	6%
Refuse Charges	2.5%	3%	3.5%	5.5%	6%

Table 3.2 Rebates for year 2

Rebates Year 2	Minimum	Class 2	Class 3	Class 4	Class 5
Electricity Consumption	2%	2.5%	3%	4%	5%
Electricity Basic Charge / Demand Charge	2%	2.5%	3%	4%	5%
Water Consumption	2%	2.5%	3%	4%	5%
Water Basic Charge	2%	2.5%	3%	4%	5%
Sewer and affluent Charges	2%	2.5%	3%	4%	5%
Refuse Charges	2%	2.5%	3%	4%	5%

Table 4.3 Rebates for year 3

Rebates Year 3	Minimum	Class 2	Class 3	Class 4	Class 5
Electricity Consumption	1%	1.5%	2%	2.5%	3%
Electricity Basic Charge / Demand Charge	1%	1.5%	2%	2.5%	3%
Water Consumption	1%	1.5%	2%	2.5%	3%
Water Basic Charge	1%	1.5%	2%	2.5%	3%
Sewer and affluent Charges	1%	1.5%	2%	2.5%	3%
Refuse Charges	1%	1.5%	2%	2.5%	3%

### 3.3 Technical or business support incentives

Services to support investors in setting up and running their operations may be provided by an investment promotion agency. These can include preferential treatment and streamlined administrative processing, administrative consulting, direct administrative assistance and support to ex patriate employees of the investor business. The municipality can also provide business-centric research, market intelligence, opportunity identification, project packaging and industrial clustering and support.

## 4. OTHER TYPES OF INCENTIVES OFFERED

### 4.1 Financing of Feasibility Study / Business Plan Development (SMME's)

There are potential economic development projects identified for Mossel Bay. However, these projects may require more detailed feasibility studies to attract investors. In addition, any local investors have ideas and/or rights to potentially large investment opportunities but lack the funds to undertake detailed feasibility studies and/or business plans could be assisted to raise funding for those plans.

The Mossel Bay Municipality will partner with other organisations and enterprises to provide some financial support for the development of business plans and feasibility studies of potential / new investments where such investments are deemed beneficial to the local economy and within the targeted sectors of the municipality.

### 4.2 Rebate on Municipal Building Plans

The municipality will provide up to 50% rebate on the approval costs for building plans. The rebate will be in the sole discretion of the Fast Track Committee. The Committee will take into account:

- The nature, extent and financial impact of the proposed development;
- The business also owns the premises on which the development is set to take place; and
- The business has signed at least a 10-year lease agreement, for premises in an area in Mossel Bay Municipality
  - identified for urban renewal or identified prescient.

The rebate does not apply to any additional costs or penalties that the developer may incur when submitting the building plans. This will not apply to residential investments or investments on land zoned for residential development.

### **4.3 Lands & Buildings (Asset Management Policy)**

The Mossel Bay Municipality has strategic portions of land available that might be offered to investors. Mossel Bay Municipality is required to adhere to Municipal Finance Management Act (MFMA), Municipal Asset Transfer Regulations and Supply Chain Management Regulations. The MFMA requires that Municipalities, in selling / letting of assets (including land) non-essential for service delivery, must consider the fair market value of the asset, as well as the economic and community value to be received from the selling / letting of the asset. Any transfer must be fair, equitable, transparent and competitive.

However, in terms of the Constitution the object of the Municipality is to promote economic development. Council is therefore desirous to make land available in order to promote such development. If Council is satisfied that the disposal of the land will be beneficial and will contribute to economic development, it will be deemed to be in the community's interest and may be made available at a lower than market related price as an incentive.

The proposal of the investor will be evaluated by the Fast Track Committee in terms of, and subject to, the criteria set out in the framework (Asset Management Policy) approved by Council.

The Municipality will assess and provide feedback on any application within fourteen (14) days of receipt of such application.

### **4.4 SMME and Secondary Economy Investment Incentives**

In addition to the above-mentioned investment incentives, Mossel Bay Municipality could provide additional support to SMMEs and the secondary economy. In this regard the following tailored investment incentives are available for companies with special reference to SMME's:

- i. Give 100% Rebate for property tax for start-up companies during the first year and a 30 percent discount in the 2nd operational year;
- ii. Assistance in developing a business plan for start-up companies or companies that wishes to expand;
- iii. Promotion of mechanisms for co-operation between SMME's to meet contemporary needs;
- iv. Assistance in establishing SMME networks that lead to competitive advantage, cost savings, market access and knowledge exchange. The emphasis would be on establishing supply chain linkages with the large companies who would be willing to outsource services to small companies that could better perform those services;
- v. Easing the licensing application burden through the simplification of business set up and registration procedures for SMME's;
- vi. Accommodate and support SMME's through the municipal procurement policy;
- vii. Streamline small business fraternity to develop a united small business fraternity that can benefit from synergies between businesses and speak as a single voice and to work towards the amalgamation of all business towards a united and single voice through a common business chamber; and
- viii. When appropriate, the waiving of planning application and building plan approval fees which will have a huge impact for small developers.

### **4.5 Discretionary Incentives**

The municipality acknowledges the need for special incentives where an investor's investment exceeds R 50 million and will create more than 1000 job opportunities. Fast Track Committee consisting of the Manager: Economic Development & Tourism, the Chief Financial Officer, Director Planning and Economic Development, the Town Planner, the Municipal Manager and a legal representative will have



the delegated power within the framework provided by Council and Asset Management Policy will require to be ratified by Council. An Item will be tabled to Council for approval.

A legal agreement must be drawn up and signed by parties and incentives shall be implemented as the agreed milestones are achieved.

#### **4.5 Other Investment Incentives**

The Department of Trade and Industry (DTI), as well as other government departments at a national level, developed a list of supply side measures to be used in accordance with the government's Incentives and Initiatives Programme. These side measures range from direct grants, production support, export promotion, human skills development, infrastructure and strategic investment support, tax allowances and duty drawback facilities to name a few. The regional (provincial) government also focuses on specific support measures such as investment promotion and investor support services, while local government focuses on specific requirements, including location and general support services.

### **5. DEVELOPMENT AREAS**

Pre-determined Development Areas as identified by Council is part of the set Criteria. Development Areas are:

#### **5.1 Central Business District**

This incentive scheme is applicable to new investments in Central Business District. Mossel Bay Municipality has identified the Central Business District as the geographical area in which development should be incentivised. This area has specifically been identified as vital to tourism particularly with The Point being a major tourism attraction and cruise liners entering the harbour. The boundaries are the ocean, Wassung and Montagu Streets and The Point. Most of the CBD is already developed and businesses located in the CBD would most likely be in established buildings where building plans and capital contributions are not applicable. The business/organisation will also in most instances be the tenant and not the property owner so any incentive offered should benefit the tenant. The incentives will be limited to new investments in Mossel Bay.

The following specific businesses/organisations will qualify for incentives in the CBD:

- Professional consulting firms such as medical practices, accounting firms, legal firms, architects etc.;
- Coffee shops and restaurants;
- Fresh produce markets;
- Call Centers;
- Training Facilities;
- Travel agents;
- Delicatessens;

- Pet shops;
- Antiques and designer furniture shops;
- Art and craft shops;
- Art galleries;
- Photography shops;
- Banks;
- Florists;
- Pharmacists; and
- Information Technology.

## 5.2 Mossdustria and N2 Industria

Mossdustria and N2 Industria have been identified as two areas which specifically should be developed and the following criteria and incentives are suggested:

- New investment and not a relocation from one area to another;
- At least ten direct permanent job opportunities excluding manager on payroll within two years of establishment;
- Development desirable in terms of spatial development framework and precinct plans if applicable; and
- Other areas and businesses/organisations may be added in future to include newly identified growth nodes and corridors. The availability of bulk services will have to be considered when considering and approving incentives.

## 5.3 Desirable Developments

The incentive is applicable to Desirable Developments in Mossel Bay. Furthermore, the following developments have been identified as desirable in Mossel Bay and every effort must be made to make incentives as attractive as possible in order to attract such businesses:

- Call Centre
- Conference Centre
- Film studio
- Education and Skills Centre
- Scientific research Centre or laboratories

Mossel Bay would like to attract a Call Centre as this creates jobs and there is no existing Centre in Mossel Bay. There is also a need for a Conference Centre as this creates jobs and brings feet to Mossel Bay. Mossel Bay's close location to an airport, scenic beauty, mild climate and ample accommodation make it an ideal location for a Conference Centre.

Furthermore, a film studio would also be a great asset to Mossel Bay especially in terms of marketing and tourism. An Education and Skills Centre as well as a Scientific Research Centre and laboratories are also considered desirable to promote economic development and job opportunities in Mossel Bay.

***Other:***

The Municipality may identify other special development areas or economies that may require some incentive support in order to reach its development goals. Such areas will be determined by Council and could also benefit under this policy. The following has been identified at the time of adopting this Policy:

- Techno Parks;
- Airfield Development;
- Ocean Economy;

The following criteria are proposed for each of these developments:

- Create at least ten permanent direct job opportunities excluding manager on payroll within two years of establishment
- Can be located anywhere in the municipal area of Mossel Bay in line with planning policies of Council and the spatial development framework.
- The availability of bulk services will have to be taken into consideration when considering and approving incentives.

## **6. ROLE OF MUNICIPAL DIRECTORATES**

Directorates in the municipality each have a critical contribution to the Investment Incentive Policy and the packages on offer including the implementation thereof. Each directorate will explore as far as possible concessions regarding applications complexity and costs, processing and turnaround times.

A Catalytic Project Fast-Tracking Committee has been established to fast track investment and development proposals. The Planning & Economic Directorate will facilitate the interaction with Approval procedure with investors and developers and provide ease of access to Municipal services.

The fast track committee on incentives consisting of the Executive Mayor, Municipal Manager, Chief Financial Officer, Director: Planning and Integrated Services, Director: Technical Services, Head: Legal Services, Manager: IDP, Manager: LED and three Councilors from the Mayoral Committee (Finance, Economic Development, Planning and Technical Services) will evaluate the report from the responsible official. The committee will consider whether the application meets all the minimum qualifying criteria.

- Factors which must be considered are:
  - Whether the investment qualifies for incentives;
  - The economic contribution of the investment is positive;
  - The economic contribution is sustainable; and
  - The criteria of the policy are complied with.

If the committee is satisfied that the application complies with the above criteria and the incentive policy, a recommendation will be made to the Council. The Council will consider the recommendation of the committee and approve the incentives if it complies with the policy.

The final incentive contract, signed by the Municipal Manager, shall become the legal binding agreement between Mossel Bay Municipality and the investor. The Mossel Bay Municipality incentive approvals shall be in accordance with the applicable delegated authorities determined from time to time. Approvals should be completed within 14 days of receiving all the application documents.

The following scenarios will require approval from Council:

- Large-scale projects, outside of the policy framework and criteria, which will require special assistance or is of special importance to the development of the economy;
- Any recommendations or contracting outside the policy criteria relating to geographical location;
- Where requested incentives are outside of the parameters set in this policy
- Any changes to the incentive policy; and
- Annual approval of incentives

The responsible official shall maintain a documented audit trail on Collaborator of adherence to the approval procedure and shall report to Council on each new investment incentive approved / not approved on a quarterly basis.

### **6.1 Implementation of approvals**

The respective Directorates shall implement the contracted incentives. The contract conditions shall be monitored for adherence by the Manager: Economic Development & Tourism report to Executive Management and Council. Adjustments to the incentives shall be initiated for implementation or re-negotiations where contract conditions are not met by the investor.

## **7. MONITORING AND EVALUATION**

The incentives applications and their impact will be monitored by the Catalytic Projects Fast-tracking Committee. The Economic Development & Planning Directorate will evaluate the impact of the incentives policy on an annual basis. Depending on the investment and macro-economic environments, the policy may be updated to ensure relevance and cost efficiency.

## **8. POLICY MANAGEMENT**

The Incentive Policy must be reviewed at least annually during the budget process and presented to Council at least with the tabling of the budget for consideration before the end of March.

The policy is will be effective from date of approval by Council.

## **Annexure A: Standard Operating Procedure**

### **Roles and responsibilities**

This policy gives the broad roles and responsibilities for each Directorate/Section. Each of these directorates shall develop and maintain its own internal procedures as necessary to support this policy. The Directorates/Sections have the following main roles and responsibilities:

#### **Finance**

- i. To assist with investors' negotiation processes where appropriate.
- ii. To assist in development, structure and cost of appropriate incentives.

#### **Economic Development & Planning Services**

- i. Secretariat role for major negotiations led by ad-hoc team;
- ii. Marketing of this policy;
- iii. Solicit CBD investment as well as desirable development;
- iv. Develop and maintain healthy relationships with investors (service orientation);
- v. To implement and maintain this policy;
- vi. To facilitate all commercial incentive programs negotiations within the approval procedure;
- vii. To facilitate special incentive negotiations;
- viii. To assist with any negotiation process where appropriate;
- ix. To assist with the negotiations of discounts (in consultation with Technical Services and Financial Services) and building plans;
- x. To draw up quarterly and annual reports on the use of the incentive policy and on investors' performance;
- xi. To evaluate continuously the added value of this incentive policy; and
- xii. To monitor and manage investor compliance with the agreement in conjunction with LED.